

Message Text

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ORIGIN EB-07

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TO USMISSION GENEVA
AMEMBASSY OTTAWA
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E.O. 11652: N/A

TAGS: ETRD, CA, GATT

SUBJECT: CANADIAN TEXTILE IMPORT RESTRAINTS

REF: (A) OTTAWA 75 (B) OTTAWA 94 (C) STATE 310255 (1976)

GENEVA FOR PHELAN

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1. U.S. OFFICIALS MET ON JANUARY 11 WITH ANTHONY HALLIDAY
OF CANADIAN EMBASSY TO DISCUSS CANADIAN RESPONSE TO U.S.
REQUEST FOR CONSULTATIONS UNDER ARTICLE 9 OF THE ARRANGEMENT
REGARDING INTERNATIONAL TRADE IN TEXTILES (MFA) REGARDING
CANADIAN RESTRAINTS ON IMPORTS OF APPAREL.

Z. UE TOLD HALLIDAY THAT THE U.S. REQUEST FOR CONSULTATIONS

UNDER ARTICLE 9 WAS BASED ON OUR BELIEF THAT SUCH CONSULTATIONS WOULD BE CONSISTENT WITH THE INTENTIONS EXPRESSED BY CANADA AND THE U.S. IN JOINING THE MFA. THE U.S. REGARDED THE REQUESTED CONSULTATIONS AS A POSSIBLE MEANS OF DISSUADING EXPORTING COUNTRIES FROM CONCLUDING THAT THEY CANNOT EXPECT ANY PROTECTION FOR THEIR TEXTILE TRADING INTERESTS FROM THE MFA. WE SAID THAT WE BELIEVED CANADA AND THE U.S. CONTINUED TO SHARE MANY OBJECTIVES REGARDING INTERNATIONAL TRADE AND THAT BOTH RECOGNIZED THE NEED TO RESOLVE DIFFERENCES BETWEEN TEXTILE IMPORTING AND EXPORTING COUNTRIES IN REGARD TO THAT TRADE. WE QUERIED HALLIDAY ABOUT CANADA'S INTEREST IN POSSIBLE CONSULTATIONS OUTSIDE OF ARTICLE 19 OF THE GATT.

3. HALLIDAY RESPONDED THAT CANADA'S VIEW OF RELATIONSHIP BETWEEN GATT AND MFA WAS DIFFERENT FROM THAT OF U.S. HE SAID THAT CANADA REGARDS THE MFA AS A SIMPLE DEROGATION FROM THE GATT. MFA IS AN OPTION AVAILABLE TO IMPORTING COUNTRIES, UNDER WHICH THEY CAN DISCRIMINATE AMONG SUPPLIERS ADD MUST IN TURN MEET CERTAIN OBLIGATIONS IN RESPECT TO SUCH DISCRIMINATORY ACTIONS. ACCORDINGLY, HALLIDAY SAID, CANADA DOES NOT BELIEVE IT HAS ANY OBLIGATIONS UNDER THE MFA IN RESPECT TO ACTIONS TAKEN UNDER THE GATT.

4. HALLIDAY SAID HE WAS PREPARED TO REPORT TO OTTAWA ANY POINTS U.S. WISHES TO MAKE, INCLUDING U.S. INTEREST IN FINDING A MUTUALLY ACCEPTABLE BASIS FOR CONSULTATIONS OUTSIDE OF ARTICLE 19. HE SAID HE DID NOT HAVE SPECIFIC INSTRUCTIONS ON ALL THE POINTS DISCUSSED BUT THAT HE LIMITED OFFICIAL USE

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ANTICIPATED THE GOVERNMENT OF CANADA WOULD REJECT ANY REQUEST FROM THE U.S. FOR CONSULTATIONS OUTSIDE OF ARTICLE 19 OF THE GATT IN RESPECT TO CANADIAN ACTIONS UNDER THE GATT. HE NOTED FURTHER THAT CANADA HAD CONCLUDED THAT THE MFA IN ITS PRESENT FORM DID NOT SATISFACTORILY MEET CANADA'S NEEDS. HE SAID THAT CANADA WOULD BE SEEKING CHANGE IN THE MFA AND MIGHT BE FAVORABLY DISPOSED TO CONSULT WITH THE U.S. REGARDING FUTURE INTERNATIONAL ARRANGEMENTS RESPECTING TEXTILES.

5. JANUARY 11 MEETING CONCLUDED WITH U.S. PROMISE TO INFORM HALLIDAY LATER REGARDING U.S. INTEREST IN PURSUING FURTHER WITH HALLIDAY MFA ASPECTS OF CANADIAN TEXTILE IMPORT RESTRAINTS. U.S. AGENCIES INTERESTED IN TEXTILE POLICY CONCLUDED THAT NO PURPOSE COULD BE SERVED AT THIS TIME BY ADDITIONAL EFFORTS THROUGH CANADIAN EMBASSY TO MODERATE CANADIAN POSITION. IN ABSENCE OF HALLIDAY, WE INFORMED MICHAEL JOYCE OF CANADIAN EMBASSY ON JANUARY 17 THAT WE BELIEVED THE DIFFICULTIES IN RECONCILING THE

DIFFERENCES BETWEEN THE U.S. AND CANADA ON THE RELATIONSHIP BETWEEN THE MFA AND THE GATT AND ON THE DESIRABILITY OF CURBING THE REPERCUSSIONS OF CANADIAN ARTICLE 19 RESTRAINTS WERE TOO GREAT TO ENCOURAGE HOPE THAT MUTUALLY ACCEPTABLE BASIS FOR CONSULTATIONS OUTSIDE OF ARTICLE 19 COULD BE FOUND.

6. WHILE HALLIDAY MAY PROVE IN THE END TO HAVE OVERSTATED THE CANADIAN POSITION REGARDING ITS MFA OBLIGATIONS, WE CANNOT HELP BUT BE DISCOURAGED ABOUT THE NARROW VIEW HE TOOK OF CANADIAN OBLIGATIONS UNDER THE MFA. AT THE 1976 MEETING OF THE TEXTILES COMMITTEE OF THE GATT, ALL PARTICIPATING COUNTRIES WITH THE EXCEPTION OF CANADA AND AUSTRALIA CLEARLY REJECTED THE VIEW THAT THE MFA IS NOTHING MORE THAN AN ALTERNATE MEANS FOR IMPOSING TEXTILE IMPORT RESTRAINTS, AVAILABLE AT THE OPTION OF IMPORTING COUNTRIES. THERE IS NOT EVEN A REMOTE POSSIBILITY THAT TEXTILE EXPORTING COUNTRIES CAN ACQUIESCE IN SUCH A ONE-SIDED INTERPRETATION LIMITED OFFICIAL USE

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OF THE MFA. WHATEVER THE LEGAL MERITS OF THE CANADIAN POSITION MAY BE, ITS POLITICAL UNACCEPTABILITY IS CLEAR.

7. THERE MAY NOW BE NO WAY TO PUT THE GENIE OF RESERVED GATT RIGHTS BACK IN THE MFA BOTTLE. THE PROSPECTS THAT THE BOTTLE WILL BE KEPT IF THE GENIE IS LOOSE ARE NOT ENCOURAGING. THE MFA HAS BEEN A DELICATELY BALANCED COMPROMISE OF INTERESTS FROM THE BEGINNING. ANY EVENT WHICH HAS THE POTENTIAL TO AFFECT THE BASIC UTILITY OF THE MFA TO A SIGNIFICANT GROUP OF PARTICIPATING COUNTRIES IS A THREAT TO THE FUTURE OF INTERNATIONAL COOPERATION IN REGARD TO TEXTILE TRADE. UNFORTUNATELY, IT IS INCREASINGLY DIFFICULT TO AVOID THE CONCLUSION THAT THE CANADIAN POSITION REGARDING ITS GATT RIGHTS WILL BE SUCH AN EVENT. RECENT FINNISH ACTION ON HOSIERY SEEMS TO CONFIRM THIS VIEW. PRESENT CANADIAN TCB HEARINGS ON MARKET SITUATION IN SHEETING, TERRY TOWELS, GLOVES AND OTHER PRODUCTS MIGHT LEAD TO ANOTHER ARTICLE 19 ACTION, FURTHER EXACERBATING THE SITUATION. KISSINGER

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